

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
155 NORTH WACKER DRIVE
CHICAGO, ILLINOIS 60606-1720

TEL: (312) 407-0700

FAX: (312) 407-0411

www.skadden.com

FIRM/AFFILIATE OFFICES

BOSTON
HOUSTON
LOS ANGELES
NEW YORK
PALO ALTO
WASHINGTON, D.C.
WILMINGTON

BEIJING
BRUSSELS
FRANKFURT
HONG KONG
LONDON
MUNICH
PARIS
SÃO PAULO
SEOUL
SHANGHAI
SINGAPORE
TOKYO
TORONTO

DIRECT DIAL
+1 (312) 407-0549
DIRECT FAX
+1 (312) 407-8641
EMAIL ADDRESS
RON.MEISLER@SKADDEN.COM

January 23, 2023

BY E-MAIL

Counsel to Core Scientific, Inc.

Alfredo R. Perez
Weil, Gotshal & Manges LLP
700 Louisiana Street, Suite 1700
Houston Texas 77002

Ray C. Schrock
Ronit J. Berkovich
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153

RE: In re Core Scientific, Inc., et al., Case No. 22-90341
(DRJ)—Appointment of an Official Committee of
Equity Holders

Dear Messrs. Perez and Schrock, and Ms. Berkovich:

As you are aware, we represent an ad hoc group of equity security holders (the “**Ad Hoc Group**”) of Core Scientific, Inc. (“**Core Scientific**” or the “**Company**” and together with its subsidiaries and affiliates in the Chapter 11 Cases, the “**Debtors**”). As of today, the members of the Ad Hoc Group collectively own approximately 51,912,524 shares of the company’s common stock (representing approximately 13.9% of all issued and outstanding stock of the Company and

Alfredo R. Perez
Ray C. Schrock
Ronit J. Berkovich
January 23, 2023
Page 2

approximately 19.4% of issued and outstanding common stock of the Company not held by insiders).¹

As you are also aware, we sent a letter on January 6, 2023 to Mr. Jayson B. Ruff, the trial attorney representing the United States Trustee for Region 7 (the “**U.S. Trustee**”) in the Debtors’ pending chapter 11 cases (the “**Chapter 11 Cases**”), requesting the appointment of an official committee of equity security holders in the Chapter 11 Cases (the “**UST Letter**”), a copy of which was provided to you. We also engaged in subsequent correspondence with the U.S. Trustee regarding, among other things, the significant increase in the price of Bitcoin, the surge in values of companies comparable to the Debtors since the beginning of the year, and the significant increase in the amount of outstanding and issued common stock included in the Ad Hoc Group since the date of the UST Letter (an increase of nearly 50 million shares of common stock or more than 10% of the Company’s issued and outstanding common stock).

On Friday, January 20, 2023, the U.S. Trustee notified the Ad Hoc Group (by email addressed to Skadden) that the U.S. Trustee was exercising his discretion to decline our request to appoint an official committee of equity security holders in the Chapter 11 Cases, but noted that the U.S. Trustee would continue to monitor the cases.

The Ad Hoc Group continues to believe that equity is “in the money” and that equity holders have a substantial stake in the outcome of the Chapter 11 Cases, and therefore, equity holders deserve meaningful representation in the Chapter 11 Cases. Indeed, the Debtors’ own representations establish that the Company’s common stock holds real value. Specifically, the Debtors reported positive stockholder equity of approximately \$73 million in their most recent balance sheet,² the First Day Declaration of the Company’s CEO indicates that assets exceed liabilities by at least \$100 million,³ and the Debtors have unilaterally proposed a distribution to stockholders in these Chapter 11 Cases⁴ that they describe as a

¹ Based on public filings, we believe approximately 107.03 million shares of the Company’s common stock are currently held by insiders, representing approximately 28.6% of all issued and outstanding shares of common stock of the Company.

² Core Scientific, Inc., Quarterly Report (Form 10-Q) at 4 (Nov. 22, 2022) (balance sheet as of September 30, 2022).

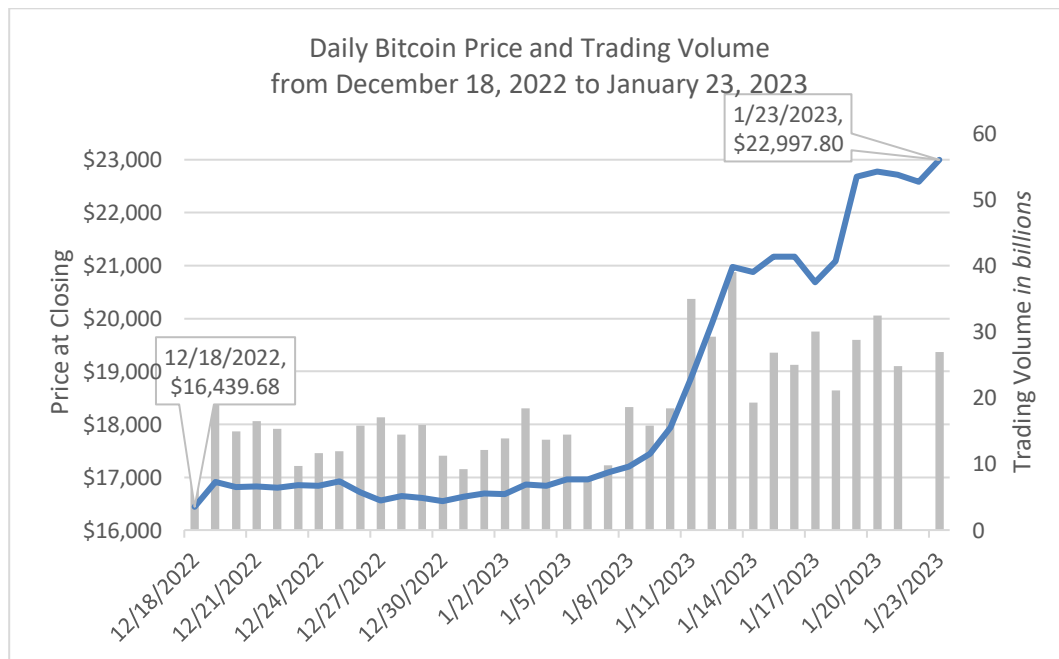
³ Attachment to Voluntary Pet. of Core Scientific, Inc., ¶ 2, Docket No. 1; First-Day Decl. ¶ 63.

⁴ See Docket No. 72, Restructuring Support Agreement Ex. A, at 11–12.

Alfredo R. Perez
 Ray C. Schrock
 Ronit J. Berkovich
 January 23, 2023
 Page 3

“meaningful recover[y]” for stockholders.⁵ In addition, the price of Bitcoin and the value of companies comparable to the Debtors continue to surge, indicating a significant increase in the value of Debtors’ estates since the Petition Date for the benefit of the Company’s equity security holders.

Specifically, since December 18, 2022, just days leading up to the Debtors’ chapter 11 filings, the price of Bitcoin has increased from \$16,439.68 (at market close) to \$22,997.80 (at market close today)—a price increase of more than 38 percent.

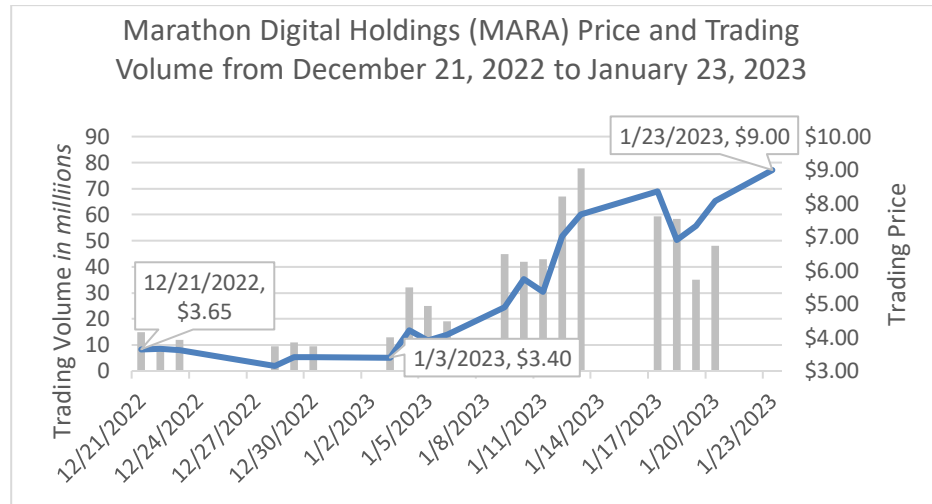


In addition to the foregoing, the Ad Hoc Group has been monitoring the trading prices of several of the Company’s competitors. As reflected in the charts below, trading prices for these comparable companies have doubled, or even tripled, in the first few weeks of 2023.

⁵ First-Day Decl. ¶ 15.

Alfredo R. Perez
 Ray C. Schrock
 Ronit J. Berkovich
 January 23, 2023
 Page 4

The price of **Marathon Digital Holdings**, a cryptocurrency mining company headquartered in Las Vegas, increased from \$3.40 on the first day of trading in 2023 to \$9.00 today, January 23, 2023—a 165% increase in less than three weeks.⁶

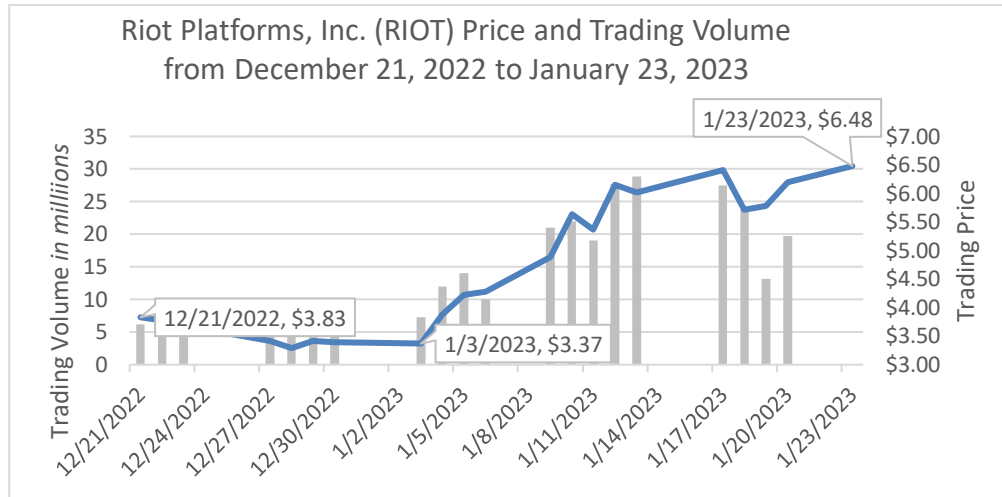


The price of **Riot Platforms, Inc.**, a Bitcoin mining company headquartered in Colorado, increased from \$3.37 on the first day of trading in 2023 to \$6.48 today, January 23, 2023—a 92% increase in less than three weeks.⁷

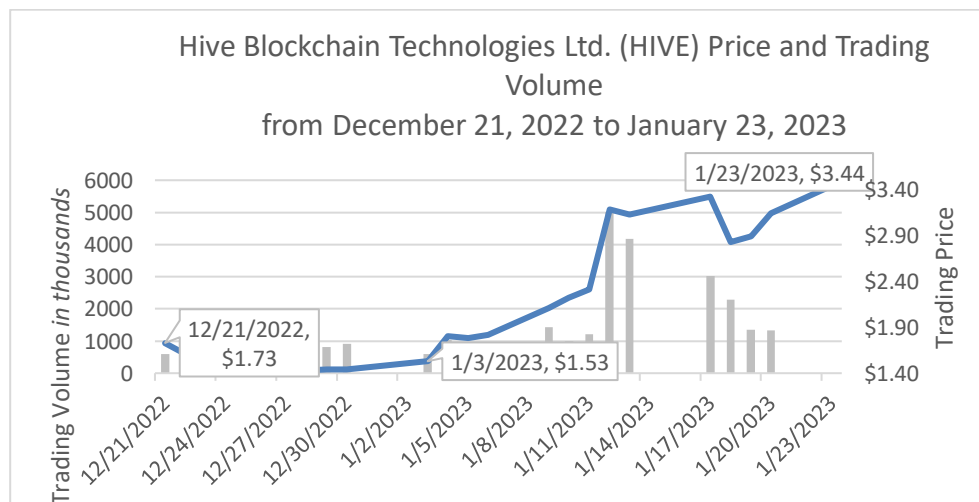
⁶ *Marathon Digital Holdings, Inc.*, Yahoo! Finance, <https://finance.yahoo.com/chart/MARA/> (last visited Jan. 23, 2023).

⁷ *Riot Platforms, Inc.*, Yahoo! Finance, <https://finance.yahoo.com/chart/RIOT/> (last visited Jan. 23, 2023).

Alfredo R. Perez
 Ray C. Schrock
 Ronit J. Berkovich
 January 23, 2023
 Page 5



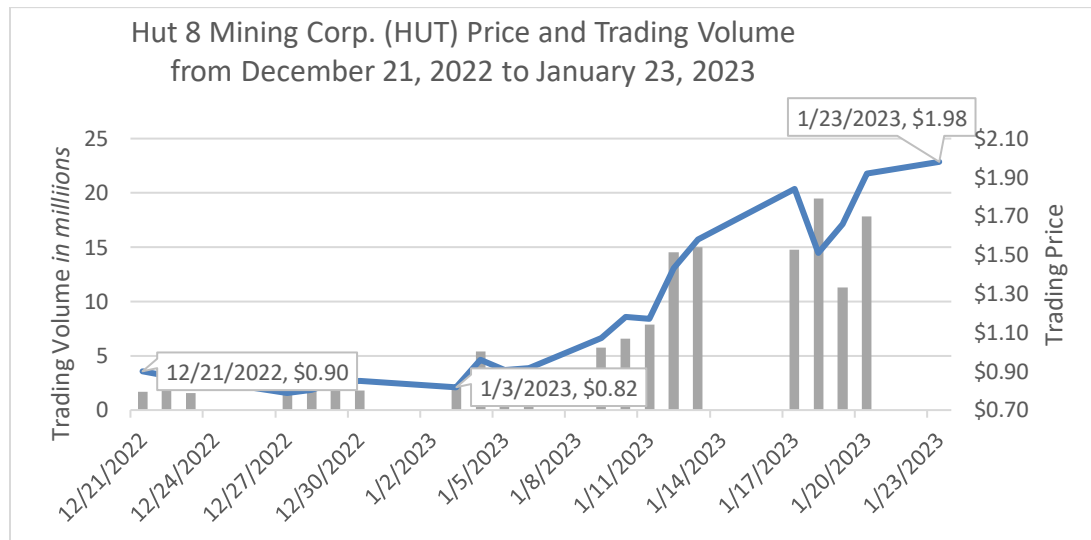
The price of **HIVE Blockchain Technologies Ltd.**, a cryptocurrency mining company headquartered in Vancouver, increased from \$1.53 on the first day of trading in 2023 to \$3.44 today, January 23, 2023—a 125% increase in less than three weeks.⁸



⁸ *HIVE Blockchain Technologies Ltd.*, Yahoo! Finance, <https://finance.yahoo.com/quote/HIVE/chart/> (last visited Jan. 23, 2023).

Alfredo R. Perez
 Ray C. Schrock
 Ronit J. Berkovich
 January 23, 2023
 Page 6

The price of **Hut 8 Mining Corp.**, a Bitcoin mining company based in Toronto, increased from \$0.82 on the first day of trading in 2023 to \$1.98 today, January 23, 2023—a 142% increase in less than three weeks.⁹



The Debtors pointed to the transitory decline in the price of Bitcoin in both their First Day Declaration¹⁰ and their first day hearing,¹¹ as well as certain other temporary macroeconomic factors,¹² as the leading cause of the Debtors' financial decline and decision to seek chapter 11 relief.

⁹ *Hut 8 Mining Corp.*, Yahoo! Finance, <https://finance.yahoo.com/chart/HUT/> (last visited Jan. 23, 2023).

¹⁰ *Declaration of Michael Bros in Support of the Debtors' Chapter 11 Petitions and First Day Relief* [D.I. 5] (the "**First Day Declaration**") ¶ 6, 22-23, 65-67.

¹¹ *See In re Core Scientific, Inc.*, No. 22-90341 (DRJ) (Bankr. S.D. Tex. Dec. 22, 2022), Hr'g Tr. at 10:23-24, 32:6-8.

¹² *See First Day Declaration* ¶ 76 (referencing energy prices, inflation, and supply chain interruptions between July 2022 and September 2022).

Alfredo R. Perez
 Ray C. Schrock
 Ronit J. Berkovich
 January 23, 2023
 Page 7

The surge in value of Bitcoin and the Debtors' competitors illustrate that these macroeconomic factors are trending in a favorable, value-accretive direction.¹³ Indeed, B. Riley's open letter to the Company's shareholders and lenders, and as we highlighted in the UST Letter, noted that every \$1,000 increase in the price of Bitcoin would likely increase EBITDA by \$20 million.¹⁴ In other words, the Debtors' EBITDA has likely increased by more than \$131 million in just the first month of the chapter 11 cases, which the Ad Hoc Group believes equates to an increase in the value of the Company in the hundreds of millions of dollars.

In light of the positive trajectory of the economy and the rapidly increasing value of the Debtors' estates, the equity security holders are in need of adequate and independent representation in the Chapter 11 Cases now. To that end, the Ad Hoc Group has instructed us to file a motion seeking appointment of an official equity committee in the Chapter 11 Cases. We intend to file a motion asking the bankruptcy court to appoint an equity committee by the end of the week.

In advance of filing and prosecuting this motion, however, we are reaching out to note that the Ad Hoc Group is open to discussing a consensual resolution with the Company for the appointment of an official equity committee, including defining the scope of an official equity committee's role in the Chapter 11 Cases and agreeing upon a reasonable budget. We hope you agree that our rationale is sound for the formation of an equity committee notwithstanding the US Trustee's decision, and we would appreciate your support. If we reach a consensual agreement now, then we can avoid unnecessary expenses and file a joint motion with agreed terms, with the objective of having an official committee appointed efficiently and expeditiously.

¹³ Undoubtedly, the value of a company's stock is a strong indication of value. *See, e.g., VFB LLC v. Campbell Soup Co.*, No. 02-137 KAJ, 2005 WL 2234606, at *22 (D. Del. Sept. 13, 2005), *aff'd*, 482 F.3d 624 (3d Cir. 2007), and *aff'd*, 482 F.3d 624 (3d Cir. 2007) ("The price of a company's publicly traded common stock at the time of the transaction is presumably an ideal data point for the determination of fair market value. Specifically, with respect to stock traded on 'the New York Stock Exchange, one of the most efficient capital markets in the world, 'the value established on the open market is the fair market value for purposes of determining reasonably equivalent value, [i]n the absence of any evidence of manipulation or bad faith.'") (quoting *PHP Liquidating, LLC v. Robbins (In re PHP Healthcare Corp.)*, 128 Fed. Appx. 839, 848 (3d Cir. 2005)).

¹⁴ Press Release, B. Riley Financial, *B. Riley Financial Issues Open Letter to Core Scientific Investors* (Dec. 14, 2022), <https://www.prnewswire.com/news-releases/b-riley-financial-issues-open-letter-to-core-scientific-investors-301703337.html>.

Alfredo R. Perez
Ray C. Schrock
Ronit J. Berkovich
January 23, 2023
Page 8

Given the matters discussed herein, we would ask that you also immediately share this letter with the full Board of Directors of Core Scientific.

Sincerely,



Ron E. Meisler

CC:
George N. Panagakis
Jennifer Madden